



Food, beverage and agribusiness sector report



Paul Mariani
 Managing Director
 Investment Banking

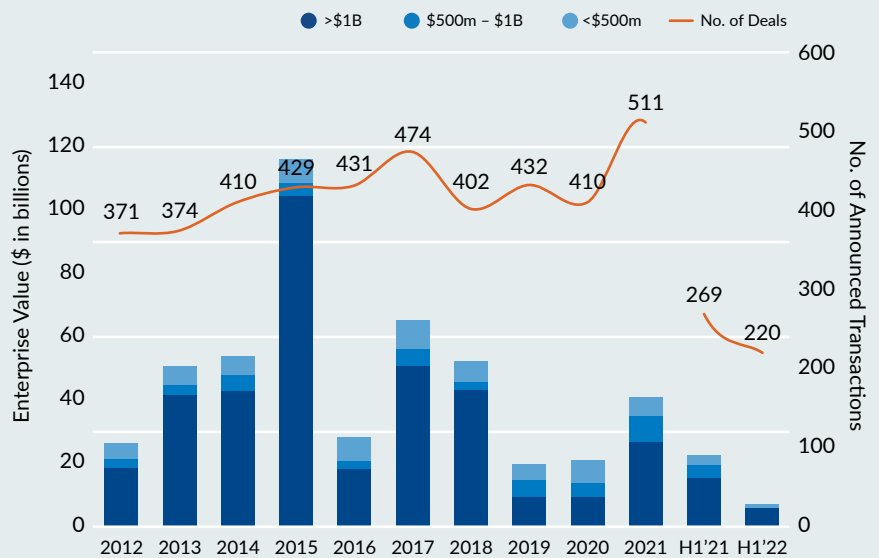


MARKET OBSERVATIONS:

Appetite for M&A remains strong despite economic headwinds

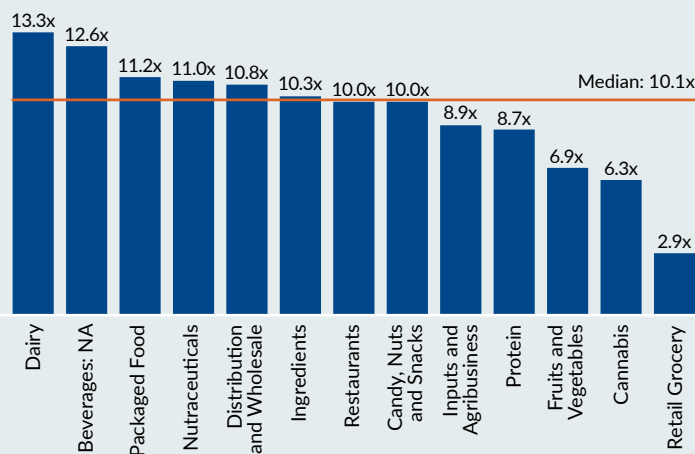
U.S. food, beverage and agribusiness (“FB&A”) M&A volume peaked in 2021 (by number of announced deals), according to S&P Capital IQ, and while deal flow during the 1H of 2022 declined from 269 to 220 transactions, the market continues to be resilient and arguably more balanced throughout the value chain. Dollar volume also declined with only three announced mega deals (EV >\$1 billion), which accounted for more than 70% of disclosed volume during the first half of the year. Despite external pressures from rising input costs, labor shortages, rising global tensions and historically high inflation, activity remained strong and M&A pipelines appear to be relatively strong through the second half of this year, demonstrating both the defensive nature of the industry and the confluence of strategic growth opportunities evidenced in numerous sub-sectors within the food value chain.

CHART 1: U.S. FOOD, BEVERAGE & AGRIBUSINESS M&A VOLUME – LATEST TEN YEARS



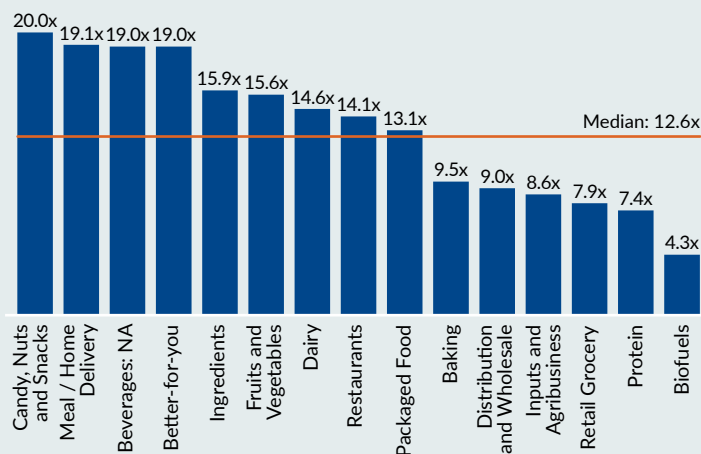
Source: S&P Capital IQ as of June 30, 2022. | Note: Excludes restaurants and retail grocery.

CHART 2: M&A MULTIPLES BY SUB-SECTOR (EV/EBITDA)



Source: S&P Capital IQ as of June 30, 2022. M&A deals with available multiples done within the sector over the last three years.

CHART 3: PUBLICLY TRADED FOOD COMPANIES BY SUB-SECTOR (EV/LTM EBITDA)



Source: S&P Capital IQ as of June 30, 2022.

Valuations for deals remain at relatively historic highs; however, modest disruption in the leverage market has crept into less favorable sub-sectors, like protein, which is often disproportionately impacted during more volatile periods. *In the aggregate*, EV/EBITDA M&A multiples through June are largely in line with FYE 2021 levels, while multiples for public equities have contracted by about a turn over the same time period.
























Several themes made headlines during the first half of 2022, including the appetite for strategic add-ons by CPGs looking for access to, or enhanced depth in, new and existing channels and categories. This was evidenced by companies like Monster, Nestle (Health Sciences division) and J&J Snack Foods with their respective acquisitions of CANarchy (new/ alcohol category), Orgain (plant-based ingredients) and Dippin' Dots (channel expansion). Mondelez announced two large transactions, acquiring Grupo Bimbo's confectionery business (market expansion and brand dominance) for \$1.3 billion in April and Cliff Bar (BFY snacking) for \$2.9 billion June.

Strategic activity also centered around scaling production and expanding capabilities to address demand, and exert further control over the supply chain. Walmart announced its plans to acquire three targets this year to bolster its partial integration strategy—Plenty (vertical produce farming), Delivery Drivers, Inc. (gig-driver management) and Sustainable Beef (Black Angus production and processing). In addition, major processors such as ADM, BelGioioso, General Mills, J.M. Smucker, Mars Wrigley, and Nestle all announced plant expansions to meet strong demand, while Danone, Dole, Hain Celestial, Hormel and Sovos Brands have all made known their pursuit for new targets and greater production capacity. B2B and B2C fresh and BFY food e-commerce platform, GrubMarket, is leading the charge in the produce category, having completed fourteen acquisitions this year, eight of which were produce distributors, intended to secure access to commodities and inventory across key markets.

TABLE 1: SELECTED 2022 FOOD, BEVERAGE & AGRIBUSINESS M&A DEALS

Announced date	Acquirer	Target	Sub-sector	Rationale	EV (\$M)	EV / Revenue	EV / EBITDA
1.4.2022	 MID OCEAN Partners	 Casper's ICE CREAM SINCE 1955	Dairy	Private Equity	-	-	-
1.4.2022	 BENSON HILL®	 ZFS ZFS Creation	Ingredients	Vertical Integration	\$133	1.02x	20.6x
1.6.2022	 Rotunda CAPITAL PARTNERS	 SIEGEL EGG CO.	Protein	Private Equity	-	-	-
1.13.2022	 MONSTER ENERGY	 CANARCHY CRAFT BEERWY COLLECTIVE	Alcoholic Beverage	Brand Dominance / Category Extension	\$333	-	-
1.24.2022	 outz BRANDS	Assets of Clem Snack's and J&D Snacks Inc.	Candy, Nuts & Snacks / Distribution	Vertical Integration	-	-	-
1.24.2022	 Walmart  SOROS Soros Fund Management	 Plenty®	Produce	Vertical Integration	\$400	-	-
1.25.2022	 UPSIDE FOODS	 Cultured Decadence	Cultured Seafood	Category Extension	-	-	-
1.26.2022	 VITERRA	 GAVILON	Agribusiness / Distribution	Consolidation	\$1,125	0.06x	-
2.2.2022	 Nestlé HealthScience	 Orgain CLEAR PROTEIN	BFY Packaged Food / Ingredients	Brand Dominance	-	-	-
3.14.2022	 TA ASSOCIATES	 STONEWALL KITCHEN	Specialty	Private Equity	-	-	-
3.28.2022	 KINGSWOOD CAPITAL MANAGEMENT	 The SAVE MART COMPANIES	Retail Grocery	Private Equity	-	-	-
4.7.2022	 Constellation Brands	Lingua Franca	Alcoholic Beverage	Brand Dominance	-	-	-

Sources: S&P Capital IQ, FactSet, PitchBook and company press releases. EBITDA multiples are synergy-adjusted where applicable. | Mesirow did not represent any of the acquirers or targets in connection with the transactions noted on this page and is not currently representing any of the listed acquirers or targets.

Announced date	Acquirer	Target	Sub-sector	Rationale	EV (\$M)	EV / Revenue	EV / EBITDA
4.25.2022	 Mondelēz International	 Confectionery Business	Confectionery	Brand Dominance	\$1,300	2.60x	-
4.26.2022	 CAPVEST		Candy, Nuts & Snacks	Private Equity	-	-	-
5.2.2022	 H HUNGRY	 NATURE BOX	Meal Delivery	Consolidation	-	-	-
5.5.2022	 B&G FOODS, INC.		Fruits & Vegetables	Vertical Integration	-	-	-
5.10.2022	 GrubMarket		Fruits & Vegetables	Vertical Integration	-	-	-
5.11.2022			Retail Grocery	Consolidation / Geographic Expansion	\$1,568	0.81x	8.0x
5.19.2022			Dairy	Brand Dominance / Consolidation	\$224	-	-
6.7.2022	 Standard Meat Company		Protein	Consolidation	-	-	-
6.7.2022	ATLAS HOLDINGS		Protein	Private Equity	-	-	-
6.20.2022	 Mondelēz International		Candy, Nuts & Snacks	Brand Dominance	\$2,900	3.63x	25.0x (adj. 16.7x)
6.24.2022	 SAPPORO		Alcoholic Beverage	Brand Dominance	-	-	-
6.30.2022	 WILBUR-ELLIS®		Agribusiness / Ingredients	Consolidation	-	-	-

Sources: S&P Capital IQ, FactSet, PitchBook and company press releases. EBITDA multiples are synergy-adjusted where applicable. | Mesirow did not represent any of the acquirers or targets in connection with the transactions noted on this page and is not currently representing any of the listed acquirers or targets.

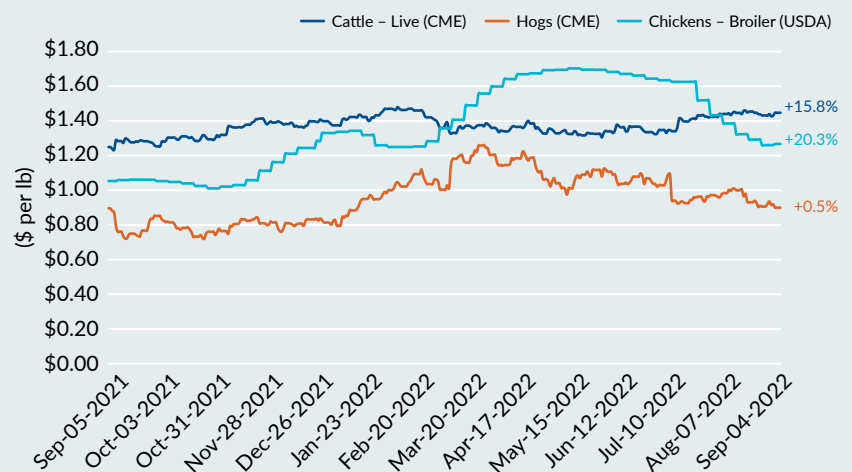
Commodities and food inflation

Inflation hit a four-decade high through June and has moderated in recent months, but remains stubbornly high, tempting the Fed to potentially raise rates more aggressively than expected. Fuel price moderation has provided some “real-time” relief for consumers; however, prices at the store continue to chip away at the dollar. According to the Bureau of Labor Statistics, grocery prices jumped 12.2% in the twelve months ended June, not adjusted for seasonal swings. In that period, nearly every individual item got more expensive, with some categories seeing dramatic increases. Shell eggs were up 33.1%, flour +19.2% and chicken +18.6%. Milk (+16.4%) and produce (+8.1%) were also more expensive, while restaurant menu prices increased 7.7% during that same period.

The silver lining is the worst *may be* behind us, as key input prices have eased off their 2022 highs. While live cattle prices remain steep, down only 2% from the 52-week high of \$1.48 per pound in February, hog and broiler prices have declined by more than 25% from their late-spring/early-summer highs, trading at \$0.90 and \$1.27 per pound, respectively. Grain prices have also tempered a bit, coming off a warmer/drier planting season. Corn is down 18% from its early May high of \$8.14 per bushel and wheat is down 37% from its early March high of \$12.94 per bushel, while soybeans are trading at ~80% its 52-week high (\$17.69 per bushel in early June).¹

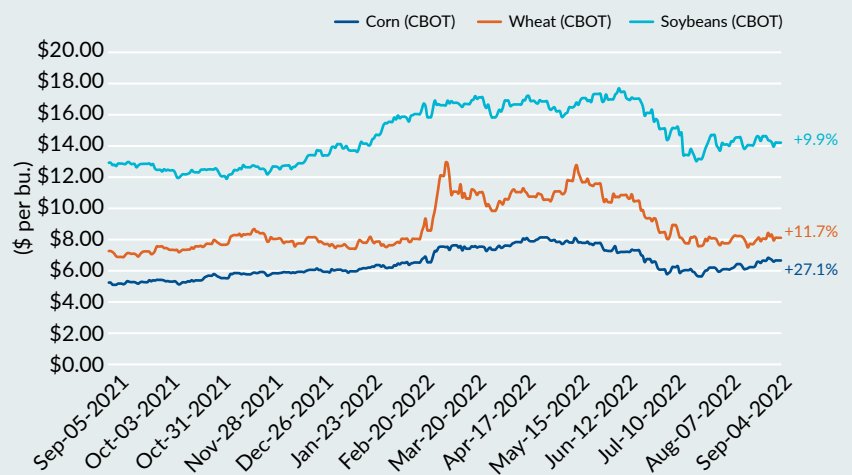
1. CBOT & CME as of September 5, 2022.

CHART 4: LIVESTOCK COMMODITY PERFORMANCE – LATEST TWELVE MONTHS



Source: CBOT & CME as of September 5, 2022. | Past performance is not indicative of future results.

CHART 5: GRAIN COMMODITY PERFORMANCE – LATEST TWELVE MONTHS



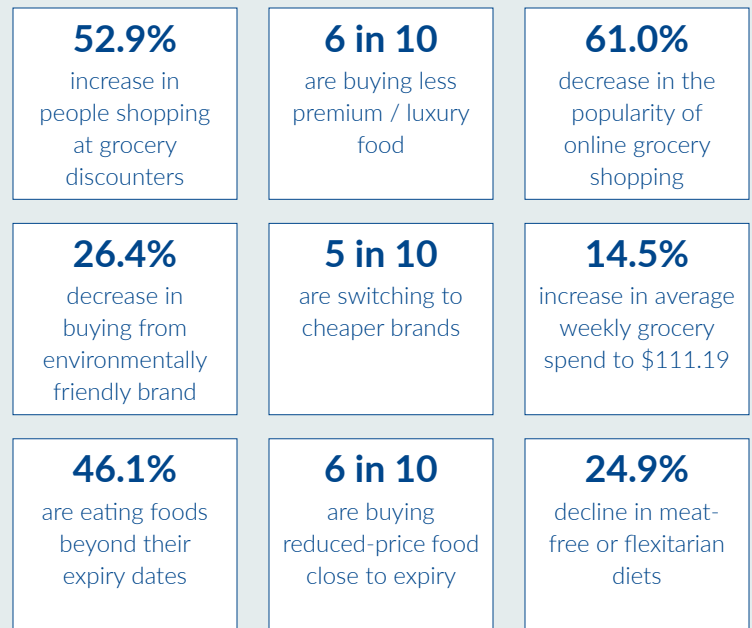
Source: CBOT & CME as of September 5, 2022. | Past performance is not indicative of future results.

Sector spotlight: Consumers lean into discount and private label

Price-squeezed consumers are opting for more frozen items and store brands, a reversal of the broader trend towards emerging and heritage brands as well as specialty foods prior to the shutdowns. Food Dive recently reported the strongest private label YTD sales growth was in baking mixes (+40%), soups (+17%), prepared foods (+12%), dried vegetables (+11%), canned seafood (+10%) and cereal (+6%). Walmart told analysts in May that consumers are moving away from brand names to private label substitutes in deli, lunch meat, bacon and dairy. Kroger recently commented their stores are seeing “incredible [consumer] engagement” in their portfolio of private brands, which includes Simple Truth and Private Selection. They’ve also taken it one step further with the recent launch of Smart Way brands—a new, opening price point private label brand that includes canned vegetables, breads, juices and other staples focused on affordability.

This uptick in demand for private label bodes well for private label processors, such as TreeHouse Foods, who recently announced the sale of its meal preparation business to re-focus its core on higher growth, higher margin private label categories, such as beverages and snacking. “The positive demand trends for private label are clear, and simplifying our business will position us to better capitalize on those trends to drive value now and well into the future,” said Steve Oakland, CEO of Treehouse Foods. More broadly, discount retailers like Dollar General stand to gain from this momentum and have increased their sales forecasts as the pursuit of lower cost alternatives has crept up the income ladder.

US food inflation by the numbers



How are Americans cutting back on grocery spend?



Source: askattest.com

Outlook

While it is not easy to predict rapidly changing consumer preferences, history has shown that most consumers forgo more elastic goods during times of higher inflation and lower consumer sentiment. The University of Michigan reported (June 2022) its consumer sentiment index hit its lowest point on record. While we remain optimistic about the future, we feel shifting consumer behavior will continue to be a primary driver for M&A over the next several quarters. We expect to see a similar cadence continue over the longer term as sponsors and independent strategics may face challenges if brand loyalty loses steam, while larger CPGs with strong balance sheets will likely continue to fortify their product and brand portfolios by acquiring strategically aligned targets. Cash is often king at times like these and given the propensity towards supply chain control while supporting customer demand, we expect the appetite for M&A within the value chain to be relatively strong over the foreseeable future.

Notable Mesirow Transactions

<p>SELL-SIDE ADVISOR</p>  <p>101 I N C</p> <hr/> <p>HAS BEEN RECAPITALIZED BY</p> <p>an affiliate of</p> 	<p>SELL-SIDE ADVISOR</p>  <p>Farmers HEN HOUSE</p> <hr/> <p>HAS BEEN RECAPITALIZED BY</p> <p>an affiliate of</p> 	<p>SELL-SIDE ADVISOR</p>  <p>VALLEY VIEW PORK</p> <hr/> <p>HAS BEEN ACQUIRED BY</p> 	<p>BUY-SIDE ADVISOR</p>  <p>CHRIST PANOS FOODS CORPORATION</p> <hr/> <p>HAS ACQUIRED</p> <p>the Foodservice Distribution Business of</p>  <p>grecian delight KRONOS</p> <p>a portfolio company of</p>  <p>Entrepreneurial Equity PARTNERS</p>
---	---	--	--



Dedicated advisor to the food, beverage and agribusiness sector

Mesirow Investment Banking is consistently focused on elevating the experience for our clients. With extensive sector-specific expertise and deep long-standing relationships, our dedicated Food, Beverage and Agribusiness team has a proven track record of completing highly tailored and successful transactions. Our highest priority is helping individuals and organizations achieve their financial and strategic goals.

Mesirow serves the following sectors within the value chain:

- Beverages
- Branded and private label packaged food
- Cannabis
- Contract manufacturing
- Dairy and dairy alternatives
- Distributors and wholesalers
- Fruits and vegetables
- Ingredients and flavors
- Inputs and agribusiness
- Milling, baking and confectionery
- Natural and organics
- Nutraceuticals
- Pet food and feed
- Protein
- Restaurants and retail grocery
- Snack foods
- Upcycling

To learn more, visit mesirow.com/investmentbanking.

Contact us

Paul Mariani

312.595.7820

paul.mariani@mesirow.com

Mesirow refers to Mesirow Financial Holdings, Inc. and its divisions, subsidiaries and affiliates. The Mesirow name and logo are registered service marks of Mesirow Financial Holdings, Inc., © 2022, Mesirow Financial Holdings, Inc. All rights reserved. Mesirow does not provide legal or tax advice. Securities offered by Mesirow Financial, Inc. member FINRA, SIPC. Some information contained herein has been obtained from sources believed to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. Any opinions expressed are subject to change without notice. It should not be assumed that any historical market performance information discussed herein will equal such future performance. This report is for information purposes only, and should not be considered a solicitation to buy or sell any security.